

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 IO-13 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
L-03 H-01 AGRE-00 ABF-01 OPR-02 IGA-02 /102 W
-----112002Z 129671 /42

R 111751Z MAR 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0524

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DEPT PASS TREASURY FOR SYVRUD

E.O. 11652: N/A

TAGS: ECON, ELAB, PO

SUBJECT: ECONOMIC DEVELOPMENTS

REF: LISBON 1733

SUMMARY: PRIME MINISTER SOARES WRAPS UP HIS EUROPEAN TOUR IN SUPPORT OF PORTUGUESE EC MEMBERSHIP AT MARCH 12 EEC EXECUTIVE COMMISSION MEETING IN BRUSSELS. AT HOME, THE LABOR CAULDRON CONTINUES TO BUBBLE, BUT NO SIGNIFICANT RESISTANCE HAS DEVELOPED TO FEB 25 ECONOMIC REFORMS. GOVERNMENT HAS TAKEN FURTHER SMALL STEPS WHICH SUGGEST THE OVERALL TREND OF EVENTS. END SUMMARY.

1. EC MEMBERSHIP: PRIME MINISTER SOARES WILL CONCLUDE HIS TWO-PHASE EUROPEAN TOUR IN SUPPORT OF PORTUGUESE EC MEMBERSHIP AT A MAR 12 MEETING WITH THE EC EXECUTIVE COMMITTEE (REF A). AS DURING FIRST LEG OF SOARES' TRIP, COVERAGE HERE HAS FOCUSED ON OFFICIAL EC MEMBER EXPRESSIONS OF SUPPORT FOR PORTUGAL. EBULLIENCE OF FIRST LEG HAS BEEN TEMPERED, HOWEVER, BY SOARES' REPEATED REFERENCES TO EC MEMBER
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CONCERN OVER ECONOMIC IMPLICATIONS OF EARLY PORTUGUESE MEMBERSHIP. HIS BONN STATEMENTS WERE - FOR FIRST TIME - A FULL PUBLIC ACKNOWLEDGMENT THAT MEMBERSHIP WOULD BE PRECEDED BY LENGTHY TRANSITION PERIOD.

2. LABOR ACTIVITY: IN SPITE OF OMINOUS FEARS OF IMPENDING PCP-INSPIRED AGITATION, LABOR SCENE PRESENTS A

MIXED PICTURE.

- THE GOVERNMENT HAS ANNOUNCED NEW PROVISIONAL MINIMUM WAGE RATES FOR CIVIL CONSTRUCTION INDUSTRY. INCREASES ARE WELL WITHIN 15 PERCENT LIMIT. DEFINITIVE RATES WILL BE SET BY COLLECTIVE CONTRACT NOW BEING NEGOTIATED. ALTHOUGH CONSTRUCTION UNION HAD EARLIER INDICATED GENERAL AGREEMENT ON CONTRACT TERMS, IT ANNOUNCED NEW DEMANDS MAR 11. NEGOTIATIONS ARE CONTINUING. HALF DAY CIVIL CONSTRUCTION STRIKE MAR 3 WAS ONLY PARTIALLY SUCCESSFUL.
- A TWO-HOUR STRIKE OF PORTUGAL'S 200,000 MEMBER METALLURGICAL WORKERS UNIONS MAR 10 ALSO WAS OF LIMITED EFFECTIVENESS. MANAGEMENT ASSOCIATIONS ESTIMATED 50 PERCENT ADHERENCE IN THE LISBON AREA. AMCONSUL OPORTO REPORTS 30 PERCENT ADHERENCE IN THE NORTH. NEGOTIATIONS ARE CONTINUING WITH RELATIVELY SMALL DIFFERENCES OVER WAGE SCALES AND THEIR RETROACTIVITY AND CONTRACT EFFECTIVE DATE STILL UNRESOLVED.
- THE WEEKLY ONE-DAY STRIKE OF 300,000 MEMBER TEXTILE WORKERS UNION WAS POSTPONED MAR 10 WHILE NEGOTIATIONS CONTINUE. RECENT WORK STOPPAGES HAVE PRODUCED MIXED RESULTS AND SIGNS OF DECLINING SUPPORT FOR THE UNIONS.
- TRAVEL AGENTS CALLED STRIKE FOR MAR 11, 15 AND 16 TO SUPPORT DEMANDS OF EMPLOYEES OF PRIVATE TRAVEL AGENCIES FOR CONTRACT TERMS EQUAL TO THOSE ENJOYED BY EMPLOYEES OF NATIONALIZED AND INTERVENED TRAVEL AGENCIES. PAST WORK STOPPAGES IN THIS SECTOR HAVE ALSO SHOWN MIXED RESULTS. THERE HAVE BEEN REPORTS OF TELEX MESSAGES BEING SENT ABROAD BY TRAVEL AGENCY EMPLOYEES DESIGNED TO DISCOURAGE TOURISM DURING COMING SUMMER SEASON.

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3. DISINTERVENTION: GOP HAS PUBLISHED MEASURE ORDERING TERMINATION BY MAR 31 OF STATE "PROVISIONAL INTERVENTION" IN PRIVATE FIRMS. MAY 1976 LAW HAD AUTHORIZED STATE TO INTERVENE "PROVISIONALLY" IN FIRMS EXPERIENCING SERIOUS FINANCIAL OR OTHER DIFFICULTIES UNTIL INQUIRY COULD ESTABLISH WHETHER OR NOT THE FIRM WAS ECONOMICALLY VIABLE. INQUIRIES WERE TO BE CONCLUDED WITHIN 120 DAYS. NO PROVISIONALLY INTERVENED FIRMS HAVE, HOWEVER, BEEN DISINTERVENED OR DECLARED BANKRUPT.

4. AGRICULTURAL MEASURES: GOP HAS TAKEN FOLLOWING MEASURES IN AGRICULTURAL SECTOR.

- GRAINS. FORMER POLICY OF PAYING HIGHER PRICES TO COOPERATIVES AND COLLECTIVE FARMS THAN TO PRIVATE FARMERS HAS BEEN ABANDONED IN FAVOR OF A SINGLE INCREASED PRICE TO ALL PRODUCERS. IN ADDITION, GOP CEREALS INSTITUTE, PREVIOUSLY EXCLUSIVE BUYER OF WHEAT AND RESIDUAL BUYER OF OTHER DOMESTIC GRAINS, WILL

HENCEFORTH BE EXCLUSIVE BUYER OF DOMESTIC OATS AND COMMON BARLEY.

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- MEAT. ALL ABATTOIRS AND SLAUGHTERHOUSES IN CONTINENTAL PORTUGAL MAY NOW SLAUGHTER BEEF CATTLE PURCHASED DIRECTLY FROM FARMERS AND TRADERS REGISTERED WITH THE NATIONAL LIVESTOCK PRODUCTS BOARD. PREVIOUSLY, BOARD ACTED AS MIDDLEMAN FOR ALL OR PART OF THEM, AND IT WILL STILL BE THE RESIDUAL BUYER, AT FIXED PRICES, OF UNSOLD CATTLE OFFERED FOR SLAUGHTER. IT WILL ALSO FIX QUOTAS ON NUMBERS OF CATTLE SLAUGHTERED.

5. SATURDAY POSTAL SERVICE RESUMES: OVER FORTY POST OFFICES THROUGHOUT PORTUGAL WILL OPEN FOR SATURDAY SERVICE ON MAR 12 FOR FIRST TIME SINCE SHORTLY AFTER APRIL 1974 COUP. ALTHOUGH POSTAL EMPLOYEES WILL RECEIVE DOUBLE-TIME FOR SATURDAY WORK, THEIR UNIONS HAVE PUBLICLY VOICED OPPOSITION TO MOVE.

6. 200-MILE LIMIT: ASSEMBLY OF REPUBLIC APPROVED MAR 10 GENERAL TERMS OF GOVERNMENT BILL ESTABLISHING 200 MILE MARINE ECONOMIC ZONE (SEE LISBON 1790). FINAL DRAFT OF BILL WILL NOW BE PREPARED BY PARLIAMENTARY COMMITTEE
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AND SUBMITTED TO FINAL ASSEMBLY VOTE PRIOR TO
PUBLICATION AND ENTRY INTO FORCE.

7. EXCHANGE RATE: LISBON ESCUDO/DOLLAR CHECK BUY RATE
CLOSED AT 38.706 MAR 11.

8. COMMENT: PERHAPS THE BIG NEWS THIS WEEK IS WHAT HAS
NOT HAPPENED. WHILE THE LABOR CAULDRON CONTINUES TO
BOIL, NO SIGNIFICANT RESISTANCE TO THE GOP'S FEB 25
ECONOMIC RECOVERY PACKAGE HAS ARISEN. THE GOVERNMENT
CONTINUES TO USE THIS BREATHING SPACE TO TAKE STEPS,
SUCH AS THE PROVISIONAL DISINTERVENTION MEASURE AND
SATURDAY POSTAL SERVICE RESUMPTION WHICH, THOUGH IN
THEMSELVES MINOR, SUGGEST THE OVERALL TREND OF EVENTS.
OMINOUS NOTE, HOWEVER, IS REFUSAL OF PCP DOMINATED CIVIL CONSTRUCTION
AND METALLURGICAL WORKERS UNIONS TO COME TO TERMS - EVEN WHEN
MATTERS AT ISSUE ARE RELATIVELY MINOR - AFTER LONG PERIODS OF
DISINTEREST IN PUSHING FOR NEW COLLECTIVE CONTRACTS. CONCLUSION
WHICH MANY ARE DRAWING IS THAT PCP IS BUILDING FOR ORCHESTRATED
PROTEST AGAINST GOVERNMENT'S AUSTERITY MEASURES. DECLINING OVERALL
STRENGTH OF THE UNIONS UNDERLINES IMPORTANCE FOR PCP OF CAREFUL
PREPARATION AND TIMING IN ORDER TO MAXIMIZE IMPACT OF DEMONSTRATIONS
WHEN THEY OCCUR.
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